

Voluntary - Public

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Thailand

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Government Stocks Tender

Report Categories:

Grain and Feed

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Report Highlights:

On May 6, the Thai Government will conduct a rice tender for 3.0 million tons out of 2001/02 – 2008/09 rice intervention stocks. Thai white rice, particularly for 5% grade white rice will likely be traded below \$500/MT, as compared to current average prices of \$500-\$540/MT. Meanwhile, the National Rice Policy Committee recommended expanding the intervention target from 2.5 million tons to 3.5 - 4.0 million tons in order to prevent a domestic price slide.

General Information:

Intervention stocks finally to be tendered

Table: The Government Stock Tender on May 6, 2006
unit: Metric Ton

| Quality | 2001/02 - 2006/07 | | | 2007/08 | | | 2008/09 | | | Grand Total | | |
|----------------------|-------------------|-------------|--------|-----------|-------------|-----------|-----------|-------------|-----------|-------------|-------------|-----------|
| | main crop | second crop | Total | main crop | second crop | Total | main crop | second crop | Total | main crop | second crop | Total |
| Whiterice | 19,845 | 8,242 | 28,088 | - | 1,024,705 | 1,024,705 | 1,447,574 | 314,498 | 1,462,072 | 1,467,390 | 1,347,445 | 2,814,834 |
| WUR 5% | 1,515 | - | 1,515 | - | 1,038,709 | 1,038,709 | 1,126,496 | 314,498 | 1,440,993 | 1,128,001 | 1,323,206 | 2,451,207 |
| WUR 10% | 17 | - | 17 | - | 10,547 | 10,547 | - | - | - | 17 | 10,547 | 10,564 |
| WUR 15% | - | - | - | - | 1,974 | 1,974 | - | - | - | - | 1,974 | 1,974 |
| WUR 25% super | 18,289 | 8,242 | 26,531 | - | 3,476 | 3,476 | 21,089 | - | 21,089 | 39,372 | 11,718 | 51,090 |
| Rathum fragrant rice | - | - | - | - | 13,475 | 13,475 | 202,371 | 133,270 | 335,641 | 202,371 | 146,745 | 349,116 |
| Fragrant rice | 771 | - | 771 | - | - | - | 77,431 | - | 77,431 | 78,202 | - | 78,202 |
| GL 10% | - | - | - | - | - | - | 102,016 | - | 102,016 | 102,016 | - | 102,016 |
| Grand total | 20,595 | 8,242 | 28,837 | - | 1,038,180 | 1,038,180 | 1,529,391 | 447,768 | 1,977,159 | 1,549,978 | 1,494,900 | 3,044,878 |

Source: Public Warehouse Organization, Ministry of Commerce

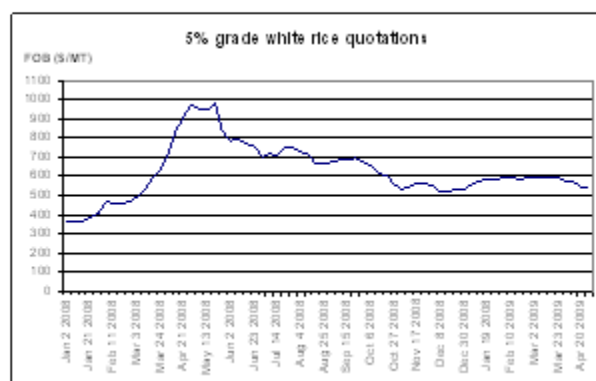
On

May 6, the Thai Government will conduct a rice tender for 3.0 million tons out of 2001/02 – 2008/09 rice intervention stocks. Half of the tender will be for current MY2008/09 crops, including 1.5 million tons of main crop and 0.5 million tons of second crop. Most of the rice (70-80%) is 5% grade white rice. Also, the Government will sell off around 1.0 million tons of old-crop intervention stocks, particularly MY2007/08 second crop. The old-crop is mostly 5% grade white rice which was absorbed under the program at intervention prices of 14,000 baht/ton of paddy (\$400/MT) which were 20 percent higher than record market prices in that period (TH8095).

No minimum tender requirement

The requirement for delivery from the government warehouses range from within 30 days for the amounts tendered below 20,000 tons, and 150 days for the amounts over 150,000 tons. All rice will have to be exported within 45 days after delivery. Participants will need to pay five percent of the contract by cash or bank guarantee within 10 days after the tender is finalized. In addition, the delivery from the government warehouse must begin within three days after payment. The penalty for the delay in the delivery is 0.2 percent of the unfulfilled contract together with any warehouse costs.

Downward pressure on export prices



Export prices trended downward, particularly for white rice prices, since the rumor of intervention stock release began last month. Current premium white rice export prices have dropped by 40-50 percent from last year's peak. Thai white rice, particularly for 5% grade white rice will likely be traded below \$500/MT, as compared to current

average prices of \$500-\$540/MT, taking into account downward pressure on global prices as buyers anticipate increased Vietnamese and Indian exports over the next few months. Presently, Thai rice exports have declined by 40 percent from the previous year as Thai rice prices are \$80-\$100/MT higher than major competitors like Vietnam. The stock release will help Thai rice exporters compete as the bidding prices will be based on current market prices which are currently 40-50 lower than intervention prices. The Government is expected to face losses of around 7,000 baht/ton (\$198/MT) for the stock release as bidding prices will be approximately 30 percent below acquisition prices paid a year ago.

Domestic prices slide limited

The Government will review current MY2008/09 second crop intervention program in the Cabinet meeting next week after the National Rice Policy Committee recommended expanding the intervention target from 2.5 million tons to 3.5 - 4.0 million tons in order to prevent a domestic price slide. Presently, the program has absorbed 2.0 million tons of paddy. Meanwhile, over half of all crops to be harvested are expected to yield bumper production of another 4.0 million tons. The program is expected to finish three months ahead of schedule (March 16 – July 31) if the target remains at 2.5 million tons of paddy.

End of report